

# DISCLOSURE BROCHURE

## Morgan Bay Investment Advisors, LLC

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This brochure provides information about the qualifications and business practices of Morgan Bay Investment Advisors, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 331-281-0183. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Morgan Bay Investment Advisors, LLC (CRD #170808) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**APRIL 15, 2014**

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

Initial filing.

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### **Full Brochure Available**

This Firm Brochure being delivered is the complete brochure for the Firm.

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## Item 4: Advisory Business

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### Firm Description

Morgan Bay Investment Advisors, LLC, ("MBIA") was founded in 2010 and became registered as an investment advisor in 2014. Richard L. Rosenthal is the Managing Member and principal owner of the firm. The firm's main office is located in Naperville, Illinois.

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### Types of Advisory Services

#### ASSET MANAGEMENT

Morgan Bay Investment Advisors, LLC is an independent investment advisory firm that provides objective discretionary and non-discretionary portfolio management and investment supervisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, and charitable organizations.

MBIA works with each client to develop an overall investment strategy. The discovery phase of the process includes an analysis of risk tolerance, financial goals, cash flow, retirement planning, income tax planning, education funding, estate planning, and corporate benefit decisions.

MBIA's asset management services are predicated on the client's investment objectives, tolerance for risk, and overall personal and financial circumstances. MBIA will analyze the client's current investments, investment objectives, liquidity needs, portfolio goals, age, time horizon, financial circumstances, investment experience, investment restrictions, risk tolerance, and recommend specific investment strategies incorporating a client's existing holdings where appropriate. We offer this ongoing asset management to clients on either a discretionary or non-discretionary basis. MBIA may work with third-party service providers to assist with the tax and estate planning portion of the services provided to the clients. For example, tax preparation and to the extent your estate plan needs to be updated, the tax preparer and/or attorney will bill the client separately. Conflicts of interest will be disclosed to the client in the event they should occur.

MBIA's engagement with a client will include, as appropriate, the following:

- A review of the client's current investment portfolio and financial circumstances as disclosed to MBIA in response to a questionnaire and in discussions with the client and reviewed in meetings with MBIA.
- Analyzing the client's financial circumstances, investment holdings, risk tolerance, time horizon investment strategies, and investment objectives.
- Review risk budgeting, targeted asset allocations and portfolio design.
- On a discretionary or non-discretionary basis recommend and/or implement investment strategies using mutual funds, ETF's or ETF Managed Portfolios.

- Report to the client on a quarterly basis at a minimum on contributions and withdrawals in the client's investment portfolio and the performance of the client's portfolio.
- Ongoing monitoring of the client's investment portfolio and make adjustments accordingly to changes in the client's personal circumstances, investment objectives, and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client, as well as based on changing economic and market outlooks.

In addition to providing MBIA with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are required to provide MBIA with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify MBIA of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk.

On a quarterly basis, MBIA will report to clients and remind those clients of their obligation to inform MBIA of any such changes or any restrictions that should be imposed on the management of their accounts. In addition, MBIA will contact clients annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

MBIA may utilize third-party software to analyze individual security holdings and separate account managers held in the client's portfolio. On a quarterly basis, MBIA, in connection with a third-party service provider, will provide such clients with reports regarding the performance of their portfolios. In addition, MBIA will monitor those portfolios and make additional recommendations and implementation decisions from time to time to rebalance and/or reallocate each client's investments in accordance with such client's investment circumstances, as applicable. The client will authorize MBIA discretionary authority to execute transactions as stated within the Investment Advisory Agreement through a limited trading authorization agreement.

#### INSTITUTIONAL RETIREMENT INVESTMENT ADVISORY SERVICES

Morgan Bay Investment Advisors, LLC also provides investment consulting and advisory services to qualified and non-qualified retirement plans, trusts, foundations, charitable organizations, corporations, or other business entities. MBIA offers to those clients preparation of investment policy statements, screening and selection of investment managers, and performance monitoring. MBIA may provide discretionary or non-discretionary advisory services to its clients.

MBIA will assist in implementing a process that allows fiduciaries to fulfill their duties and responsibilities for a qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit sharing plans, cash balance plans, and deferred compensation plans.

Advisor may act as either:

1. *Limited Scope 3(21) Fiduciary*. Advisor typically acts as a limited scope 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using Advisor can help mitigate that plan sponsor's liability by following a diligent process.
2. *3(38) Investment Manager*. Advisor can also act as an ERISA 3(38) Investment Manager in which it has discretionary management and control of a given retirement plan's assets. Advisor would then become solely responsible and liable for the selection, monitoring and replacement of the plan's investment options.

Morgan Bay Investment Advisors will assist their fiduciary clients with the following:

#### **Investment Selection and Monitoring**

- Designing an investment policy statement
- Analyzing model asset allocations
- Selecting investment managers
- Review the risk and return criteria and monitor the performance of the investment options

#### **Plan Evaluation/Benchmarking**

Morgan Bay Investment Advisors will use "benchmarking" to measure retirement plans performance against similar plans within the same industry.

- Participation, deferral percentage, and asset allocation
- Investment performance
- Plan design
- Compliance
- Participant education and communication
- Recordkeeping and administration
- Technology
- Service provider capabilities and profiles

#### **Plan Implementation**

MBIA will assist the client in the plan design, evaluation of performance, and reviewing third party agreements including the custodian, administrator, and investment managers.

#### **THIRD PARTY ADVISORS**

From time to time, MBIA may also utilize the services of a third-party advisor to manage clients' investment portfolios. These arrangements allow the investment advisor to provide specific expertise to a client. In some cases, MBIA will act as a Solicitor for the third-party advisor or we may hire a third-party advisor as a sub-advisor. Specific arrangement will be detailed in the third-party advisory agreement offered to the client. When clients are referred to third party money managers, advisors will be registered or notice filed where the clients reside. Third-party advisors will maintain the models or investment strategies



agreed upon between third party-advisor and MBIA. Sub-advisors execute all trades on behalf of MBIA in client accounts. MBIA will be responsible for the overall direct relationship with the client. MBIA retains the authority to terminate the Sub-advisor relationship at MBIA's discretion. Specific arrangements will be detailed in the third-party advisory agreement offered to the client. All required disclosure will be provided to the client in the third-party advisor's applicable brochures.

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**Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in our client files. Investment strategies are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without written client consent.

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**Wrap Fee Programs**

MBIA does not sponsor any wrap fee programs.

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**Client Assets under Management**

As of the date of this filing MBIA has no client assets under management.

## **Item 5: Fees and Compensation**

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**Method of Compensation and Fee Schedule****ASSET MANAGEMENT**

Fees for asset management, which includes determining individual investment goals, time horizons, objectives, and risk tolerance, investment strategies, investment selection, asset allocations, portfolio monitoring and the overall investment program will be calculated based on a percentage of client assets under advisement. Assets under advisement include those mutually agreed upon by the client and Morgan Bay Investment Advisors, LLC.

Fees for these services are based on a percentage of assets under management as follows:

Market Value of Portfolio	Maximum Annual Fee
Up to \$1,000,000	1.00%
\$1,000,001 to \$3,000,000	.75%
\$3,000,001 to \$7,000,000	.50%
Over \$7,000,000	.30%

Morgan Bay Investment Advisors generally requires a minimum annual fee of \$1,000. This equates to a minimum account size of \$100,000. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in advance

based on the amount of assets managed as of the close of business on the last business day of the previous quarter. Quarterly advisory fees will either be deducted from the clients' account by the custodian or paid directly by the client. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement for a full refund. Clients may terminate advisory services with thirty (30) days written notice. Client will be entitled to a pro refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees, and client will acknowledge, in writing, any agreement of increase in said fees.

#### INSTITUTIONAL INVESTMENT ADVISORY FEE SCHEDULE

Morgan Bay Investment Advisor's fees for its institutional investment consulting and advisory services to retirement plan sponsors, corporate trusts, endowments, and other business entities may be paid by the plan, trust, or plan sponsor and be a fee based on a percentage of the assets in the plan.

The annual fees are based on the market value of the assets under advisement.

Assets Under Advisement	Annual Fee Rate
Under \$1,000,000	Up to 1.00%
\$1,000,001 to \$5,000,000	Up to .80%
\$5,000,001 to \$10,000,000	Up to .60%
\$10,000,001 to \$50,000,000	Up to .40%
Over \$50,000,000	Up to .20%

The fee is charged in advance and the initial fee will be based on the market value of the Plan assets as calculated by the custodian or record keeper of the Included Assets on the first business day of the initial fee period and will be due on the first business day of the fee period. For services started any time other than the first day of a quarter, the fee will be prorated based on the number of days remaining in the initial fee period. Thereafter, the fee will be based on the market value of the Plan assets on the last business day of the previous fee period (without adjustments for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distribution of assets) and will be due within ten (10) business day. If this Agreement is terminated prior to the end of the fee period, the Client shall be entitled to a prorated refund based on the number of days during the fee period services were provided. Any unearned fees shall be refunded to the Plan or Plan Sponsor.

#### Fixed-Fee Alternative

The amount of the fee is negotiable and is generally determined by the size of the account, the diversification desired in the portfolio, the scope of services agreed to by the client, pre-existing relationships with MBIA, and the number of meetings and

consultations MBIA expects with the client. A flat fee is generally between \$20,000 and \$100,000, with a minimum fee of \$10,000.

Typical services include:

- Creating an investment policy statement
- Modeling asset allocations
- Selecting investment managers
- Monitoring the investment options against well-defined risk and return criteria

The compensation of Advisor for the services is described in detail in Schedule A of the ERISA Plan Agreement. The Plan is obligated to pay the fees, however the Plan Sponsor may elect to pay the fees. Advisor does not reasonably expect to receive any additional compensation, directly or indirectly, for its services under this Agreement. If additional compensation is received, Advisor will disclose this compensation, the services rendered, and the payer of compensation. Advisor will offset the compensation against the fees agreed upon under this Agreement.

#### Individual Client Fee Payment

MBIA does not act as a custodian of client assets or take possession of client funds or securities at any time except to the extent that MBIA may deduct fees directly from the client's account, subject to the client's prior written consent. Unless an alternative fee payment method is agreed upon by the client and the firm, MBIA will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

#### Institutional Client Fee Payment

MBIA will not take custody or possession of client funds or securities at any time except to the extent that MBIA may deduct fees directly from the client's account, subject to the client's prior written consent. Unless an alternative fee payment method is agreed upon by the client and the firm, MBIA will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

#### THIRD-PARTY MANAGER ARRANGEMENTS

From time to time, MBIA may also utilize the services of a third-party manager to manage clients' investment portfolios. A separate sub-advisor fee, in addition to Morgan Bay's fee, will be charged for Sub-Advised portfolio. Unless otherwise specifically indicated to the contrary, the annual fee charged by the designated sub-advisor (generally between 0.30% and 0.875% depending upon the type of management

services required and market value of the assets to be managed), is exclusive of, and in addition to, Morgan Bay's investment advisory fee.

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**Client Payment of Fees**

Investment management fees are billed quarterly, in advance. An invoice for the quarterly advisory fees is sent to the client in the first week of the quarter and payment in full is expected upon invoice presentation.

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**Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities, and exchange-traded funds. These charges may include Mutual Fund transactions fees, postage and handling and miscellaneous fees (fee levied to recover costs associated with fees assessed by self-regulatory organizations). These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

MBIA, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

For more details on the brokerage practices, see Item 12 of this brochure.

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**Prepayment of Client Fees**

Client may cancel within five (5) business days of signing the Investment Advisory Agreement for a full refund. If cancellation occurs after five business days, client will be entitled to a pro-rata refund based on work completed.

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**External Compensation for the Sale of Securities to Clients**

MBIA does not receive any external compensation for the sale of securities to clients, investment advisor representatives of MBIA may receive compensation as registered representatives of an unaffiliated broker dealer.

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**Item 6: Performance-Based Fees and Side-by-Side Management**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

MBIA does not use a performance-based fee structure because of the conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7: Types of Clients**

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### **Description**

MBIA provides objective discretionary and non-discretionary private investment management and consulting services to individuals including high-net-worth individuals, families, trusts, estates, foundations, institutional retirement (both ERISA and non-ERISA) plans and other business entities. Although MBIA provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by MBIA for each of the investment programs it offers.

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### **Account Minimums**

As described in Item 5 above, we typically require a minimum of \$100,000 in assets under management for advisory services. Household accounts may be aggregated to meet this asset threshold, and this minimum may be waived at our sole discretion.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

MBIA uses various methods of analysis in formulating the investment advice offered on behalf of the firm. MBIA and its investment adviser representatives are responsible for creating and implementing various methods of analysis used in designing investment recommendations to clients. The methods include examining risk metrics, stress testing of portfolios during various economic and market cycles, technical analysis, fundamental analysis of economic trends.

- Quantitative Analysis includes examining investment performance as measured by historical data, price and volume, risk metrics, volatility, benchmark comparisons.
- Technical Analysis involves analyzing chart patterns, security price and volume, support and resistance levels, trend and counter-trends during various time intervals.
- Portfolio Optimization begins with the client's well defined risk tolerance and investment objective to determine the appropriate Tactical Asset Allocation Strategy and mix of assets to achieve an optimal risk adjusted return for a specified time period.

MBIA will identify appropriate investment strategies and specific portfolios suitable for a client's investment needs, objectives, and risk tolerances. Portfolios are usually made up of various ETF Managed Portfolios, mutual funds, fixed income securities, and exchange traded funds. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns. Studies and analyses provided by various investment sponsors are also evaluated. We evaluate the experience and track record of managers, to determine whether a manager has

demonstrated the ability to manage assets under varying economic cycles and market conditions. We also evaluate the underlying investments in a mutual fund, ETF Managed Portfolio, or exchange traded fund to determine whether the manager invests in a manner that is consistent with the fund's investment objective. While a manager may have demonstrated a certain level of success in past economic times, they may not be able to replicate that success in the future.

MBIA may recommend (i) separate account managers to manage client assets, (ii) no-load and load-waived mutual funds and individual securities (including fixed income instruments). Such management styles may include, among others, large-, mid-, and small-cap value, growth, and core; international and emerging markets; and alternative investments. MBIA may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that MBIA will take into account when recommending managers to clients. Strategic investment plans developed for each client emphasize long-term investments in a diversified portfolio intended to provide the highest expected return consistent with the client's risk tolerance. MBIA attempts to achieve diversification for its clients by diversifying over time, across asset classes, within asset classes, across investment management styles, and internationally. However, specific holdings and/or recommendations may be non-diversified and carry a relatively high-risk level. A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, individual securities (including fixed income securities), and managers is set forth below. MBIA has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, and investment managers
- perform billing and certain other administrative tasks

MBIA may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and investment managers to clients as appropriate under the circumstances.

MBIA reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the investment manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager's fee structure

- the relevant portfolio manager's tenure
- consistency of performance
- volatility, fees, and expenses
- consistency of investment style
- assets under advisement
- tax efficiency

Qualitative criteria used in recommending ETF managed funds or investment managers include the investment objectives and/or management style and philosophy of an ETF managed fund, mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. MBIA will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain an ETF managed fund, mutual fund or manager, or MBIA will decide to implement such recommendations directly for accounts over which it has discretion.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by MBIA on a quarterly basis or such other interval as mutually agreed upon by the client and MBIA. In addition, ETF managed funds, mutual funds or investment managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or investment manager by MBIA (both of which are negative factors in implementing an asset allocation structure). Based on its review, MBIA will make recommendations to clients regarding the retention or discharge of an ETF managed fund, mutual fund or manager. MBIA may negotiate reduced account minimum balances and reduced fees with investment managers under various circumstances (for example, for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the ETF managed funds, mutual funds or investment managers utilized. MBIA will endeavor to obtain equal treatment for its clients with mutual funds or investment managers, but cannot assure equal treatment. MBIA will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest. In identifying investment managers, MBIA may utilize an independent service or a proprietary database that maintains a comprehensive list of qualified investment managers. Through the use of this list or otherwise, MBIA recommends qualified investment manager candidates. Information regarding investment managers is obtained from various third-party sources. MBIA also bases its

assessment of investment managers on qualitative criteria, including the general reputation of the investment manager, stability of the organization and management team, and information obtained through interviews with the managers that MBIA recommends.

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### **Investment Strategy**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement, Risk Tolerance or similar form that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, and option writing (including covered options, uncovered options or spreading strategies).

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### **Security Specific Material Risks**

All investment programs have certain risks that are borne by the investor. Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with MBIA:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy as more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric



company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- *Option Risk:* The risk with option buying are the risk of losing your entire investment in a relatively short period time and losing your entire investment as the option goes out of the money and as expiration nears. The risk with option selling are options sold may be exercised at any time before expiration and forgoing the right to profit when the underlying stock rises above the strike price of the call option sold.

## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

Neither MBIA, nor its management has anything to disclose for this item.

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### **Administrative Enforcement Proceedings**

Neither MBIA, nor its management has anything to disclose for this item.

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### **Self-Regulatory Organization Enforcement Proceedings**

Neither MBIA, nor its management has anything to disclose for this item.

## **Item 10: Other Financial Industry Activities and Affiliations**

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### **Broker-Dealer or Representative Registration**

MBIA is not registered as a broker dealer; however some affiliated persons may be registered representatives with an unaffiliated broker-dealer.

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### **Futures or Commodity Registration**

Neither MBIA nor its employees are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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**Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Richard Rosenthal has a financial industry affiliated business as a registered representative with Gar Wood Securities, LLC. Mr. Rosenthal is currently engaged as a Third Party Marketer on behalf of alternative investment clients looking to raise capital from institutional investors possessing a minimum of \$50 million in investable assets.

These practices do not represent conflicts of interest since clients of MBIA will not be marketed for hedge funds offered through Gar Wood Securities, LLC.

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**Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

When utilizing the MMP program through Mid Atlantic Trust, the fees charged by MBIA are in addition to the fees charged by any other investment advisor and the custodian. Mid Atlantic Trust will act as the custodian, collect the fees and disburse to the relevant parties. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five business days of signing the Investment Advisory Agreement with no obligation. Clients may terminate advisory services with thirty (30) days written notice. Client will be entitled to a pro rata refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees.

MBIA currently utilizes the services of Q3 Asset Management and Tuttle Tactical Management, LLC as sub-advisers to manage clients' investment portfolios. A separate sub-advisor fee, in addition to Morgan Bay's fee, will be charged for Sub-Advised portfolio. Unless otherwise specifically indicated to the contrary, the annual fee charged by the designated sub-advisor (generally between 0.30% and 0.875% depending upon the type of management services required and market value of the assets to be managed), is exclusive of, and in addition to, Morgan Bay's investment advisory fee.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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**Code of Ethics Description**

The employees of MBIA have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of MBIA employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of MBIA. The Code reflects MBIA and its supervised persons' responsibility to act in the best interest of their client.

One area in which the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

MBIA's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of MBIA may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

MBIA's Code is based on the guiding principle that the interests of the client are our top priority. MBIA's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code applies to "access" persons. "Access" persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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**Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

MBIA and its employees do not recommend to clients securities in which we have a material financial interest.

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**Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

MBIA and its employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide MBIA with copies of their brokerage statements.

The Chief Compliance Officer of MBIA is Richard Rosenthal. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

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**Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

MBIA does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide MBIA with copies of their brokerage statements.

## Item 12: Brokerage Practices

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### Factors Used to Select Broker-Dealers for Client Transactions

MBIA may recommend the use of a particular broker-dealer or may utilize a broker-dealer of the client's choosing. MBIA will only refer clients to broker/dealers who are registered in the state in which the client resides. MBIA will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. MBIA relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by MBIA.

- *Directed Brokerage*

In circumstances where a client directs MBIA to use a certain broker-dealer, MBIA still has a fiduciary duty to its clients. The following may apply with Directed Brokerage: MBIA's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among clients, and conflicts of interest arising from brokerage firm referrals.

- *Best Execution*

Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

- *Soft Dollar Arrangements*

MBIA does not receive any soft dollar benefits.

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### Aggregating Securities Transactions for Client Accounts

MBIA is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of MBIA. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

## Item 13: Review of Accounts

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### Schedule for Periodic Review of Client Accounts and Advisory Persons Involved

Account reviews are performed on a quarterly basis by Richard Rosenthal, *Chief Compliance Officer*. MBIA will meet with clients at least annually to determine whether

the client's portfolio continues to meet the client's investment objectives, risk tolerance, and our standards of performance. Changes in a client's financial situation or investment objectives, or significant economic, political or market changes may result in more frequent account reviews.

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**Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Content of Client Provided Reports and Frequency**

Clients receive account statements no less than quarterly for managed accounts. Account statements are issued by the Advisor's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs.

## **Item 14: Client Referrals and Other Compensation**

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**Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

MBIA has business relationships with selected third party money managers and may receive a solicitor fee for client referrals which will be fully disclosed to the client at the time of the referral. A Solicitor Fee will not increase or decrease the level of advisory fees charged to a client referred by a Solicitor.

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**Advisory Firm Payments for Client Referrals**

MBIA does not compensate for client referrals.

## **Item 15: Custody**

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**Account Statements**

All assets are held at qualified custodians who provide account statements directly to clients at their address of record every quarter. All trades in client accounts generate a trade confirmation which is mailed to their address of record. We do not have custody of any client assets.

MBIA is deemed to have constructive custody solely because advisory fees are directly deducted from clients' accounts by the custodian on behalf of MBIA.

## **Item 16: Investment Discretion**

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**Discretionary Authority for Trading**

MBIA accepts discretionary authority to manage securities accounts on behalf of clients, upon express written permission from the client. MBIA may also be granted full discretionary authority to appoint a third-party advisor for all or a portion of a Client's

portfolio. MBIA will not accept discretionary authority to manage retirement plan assets for Plan Sponsors. Where applicable, Client's will execute required custodial applications granting discretion to MBIA. Clients will also execute discretionary Investment Advisory Agreements. MBIA also offers non-discretionary Asset Management, so clients may choose the best options for their situations.

## **Item 17: Voting Client Securities**

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### **Proxy Votes**

MBIA does not vote proxies on securities. Clients vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent. When assistance on voting proxies is requested, MBIA will provide information or consultation to assist a client in deciding how to vote a particular security, the ultimate decision and responsibility to vote a security lies with the client. If a conflict of interest exists, it will be disclosed to the client.

## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because MBIA does not serve as a custodian for client funds or securities and MBIA does not require prepayment of fees of more than \$500 per client and six months or more in advance.

### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

MBIA has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

### **Bankruptcy Petitions during the Past Ten Years**

Neither MBIA nor its management has had any bankruptcy petitions in the last ten years.

## **Item 19: Requirements for State Registered Advisors**

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### **Principal Executive Officers and Management Persons**

The education and business background for all management and supervised persons can be found in the Part 2B of this Brochure.

### **Outside Business Activities**

The outside business activities for all management and supervised persons can be found in the Part 2B of this Brochure.

### **Performance Based Fee Description**

Mr. Rosenthal does not receive any performance based fees.

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**Disclosure of Material Facts Related to Arbitration or Disciplinary Actions  
Involving Management Persons**

Mr. Rosenthal does not have any disclosures to report.

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**Material Relationship Maintained by this Advisory Business or Management  
persons with Issuers of Securities**

There are no material relationships with issuers of securities to disclose.

**SUPERVISED PERSON BROCHURE**  
FORM ADV PART 2B

Richard Louis Rosenthal

**Morgan Bay Investment Advisors, LLC**

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Naperville, IL 60564  
331-281-0183

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This brochure supplement provides information about Richard Rosenthal and supplements the Morgan Bay Investment Advisors, LLC's brochure. You should have received a copy of that brochure. Please contact Richard Rosenthal if you did not receive the brochure or if you have any questions about the contents of this supplement.

Additional information about Richard Rosenthal (CRD #1762728) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**APRIL 15, 2014**



## Brochure Supplement (Part 2B of Form ADV)

### Supervised Person Brochure

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Richard Rosenthal

- Year of birth: 1956
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#### Item 2 Educational Background and Business Experience

Educational Background:

- University of Iowa –B.B.A. Majors; Financial Economics and Marketing - 1978

Business Experience:

- Morgan Bay Investment Advisors, LLC; Owner/Investment Advisor Representative; 03/2014 – Present
  - Gar Wood Securities, LLC; Registered Representative; 01/2007 – Present
  - Morgan Bay, LLC; Managing Member 02/2011 – 03/2014
  - Gardner Rich; Sr. Vice President; 08/2011 – 04/2012
  - Turning Point Securities, LLC; Managing Member; 04/2001 – 08/2011
  - ISLE, LLC; Managing Member; 05/2006 – 04/2007
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#### Item 3 Disciplinary Information

None to report

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#### Item 4 Other Business Activities

Richard Rosenthal has a financial industry affiliated business as a registered representative with Gar Wood Securities, LLC. Mr. Rosenthal solely works with institutional clients with a minimum of \$50 million of investible assets to assist Gar Wood Securities in assisting hedge fund clients raise capital.

These practices do not represent conflicts of interest since clients of MBIA will not be marketed for hedge funds offered through Gar Wood Securities, LLC.

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#### Item 5 Additional Compensation

Mr. Rosenthal receives commissions from Gar Wood Securities, LLC on third party marketing and transactions unrelated to Morgan Bay Investment Advisors, LLC.

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#### Item 6 Supervision

Since Mr. Rosenthal is the sole owner and investment adviser representative of Morgan Bay Investment Advisors, LLC; he is solely responsible for all supervision and formulation and monitoring of investment advice offered to clients. He will adhere to the policies and procedures as described in the firm's Compliance Manual.

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**Item 7 Requirements for State-Registered Advisors**

*Arbitration Claims:* None

*Self-Regulatory Organization or Administrative Proceeding:* None

*Bankruptcy Petition:* None